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President: Mr. ZNIBER (Morocco)

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The meeting was called to order at 3.15 p.m.

STATEMENT BY THE MINISTER OF INDUSTRY AND HANDICRAFTS OF SENEGAL

1. **Mr. SAVANE** (Minister of Industry and Handicrafts of Senegal) thanked those who had enabled Senegal to rejoin the Industrial Development Board. Senegal was a beneficiary of numerous international cooperation programmes. He noted with satisfaction the focus of UNIDO activities on trade capacity-building, poverty reduction, energy and the environment, and welcomed the Organization's renewed commitment to supporting Senegal in its development efforts. In that context, he wished to provide information on the integrated programme for Senegal.

2. Of the projected integrated programme budget of US$ 7.8 million, 75 per cent had been effectively mobilized for programme implementation. His delegation wished to thank UNIDO and all the donors for their cooperation. The lessons learned during implementation of the first phase of the programme were detailed in an independent assessment report which recommended steps to ensure the stability of the institutional and operational framework for programme implementation, the adequate financing of the seven interdependent components of the first phase, and the preservation of the integrated nature of implementation through the development of synergism between components. The first component, concerning the development and implementation of industrial strategy, had been based on a participative approach involving the private sector, civil society and the donor community, which would enable Senegal to adopt an Industrial Redeployment Policy. The second component, relating to the establishment of a national industrial information network, had provided a unique source of online information, administered by the leading players in the industrial sector. A Support Project for Small Senegalese Enterprises assisted business groups in developing and structuring professional representative organizations.

3. The industrial partnership development component had formed the basis for the National Subcontracting and Partnership Exchange, providing information services to small and medium enterprises and helping to establish subcontracting agreements between donors and recipients.

4. The quality, standardization and metrology component had been subregional in nature due to its links with the Quality Programme being implemented by the Commission of the West African Economic and Monetary Union (WAEMU), which sought to establish a system for quality promotion, standardization and accreditation within WAEMU. At the national level, the component had contributed to the transformation of the Senegalese Standards Institute into the Senegalese Standardization Association, which was largely controlled by the private sector and considered to be the optimal mechanism in a context of openness to the world market. The Association had been supported by the integrated programme in organizing the fifth "National Oscar for Quality" awards. The "Oscars" were awarded to Senegalese businesses that had been particularly successful in maintaining quality standards.

5. The component relating to the promotion and protection of a cleaner environment had been replaced by the Multifunctional Platform pilot project, which aimed to reduce the domestic workload of women in rural communities in order to enable them to dedicate themselves to income-generating activities.

6. The seventh and final component of the integrated programme had focused on strengthening pilot enterprises in the food-processing and textile sectors. It had allowed the productivity of women engaged in small-scale fishery activities to be increased and facilitated the creation of a centre for the promotion of the textile industry.

7. The positive results achieved by the integrated programme were attributable both to the Senegalese Government and to UNIDO and the success of its local staff in mobilizing funds. The programme had facilitated the creation of technical and technological support tools and structures for the implementation of Senegalese industrial policies.

8. The second phase of the integrated programme would take into account a number of guiding principles, the most important of which were cooperation between the State and the private sector, the streamlining of the institutional framework and the development of a sound strategy for the communication of information.

9. The programme guidelines focused on national priorities, particularly those relating to industry and private sector development, and were drawn up on the basis of: the Poverty Reduction Strategy Paper, supported by all development partners; the Private Sector Development Strategy, which provided a framework for dialogue between the State and the private sector on Senegalese enterprise development programmes; and the Industrial Redeployment Policy and accompanying Action Plan.

10. It was hoped that the second phase would help Senegal to attain its poverty reduction and millennium goals, providing the technical and institutional tools needed to strengthen competitiveness and to intensify and decentralize national production, particularly industrial production. It consisted of two components, the

first designed to enhance national capacity and strengthen the competitiveness of the modern industrial sector through technological support and strategic guidance, and the second focusing on the development of methodologies for intervention and capacity-building for the promotion of small and medium enterprises, particularly in the food production sector in rural communities.

11. His delegation commended UNIDO for supporting the economic integration of the subregion, and wished at the same time to stress that the lessons learned during two Industrial Development Decades for Africa were relevant to the implementation of those aspects of the New Partnership for Africa's Development (NEPAD) relating to the diversification of production and exports.

12. A meeting of West African Ministers of Industry was planned to take place in Dakar. It would provide an opportunity for the presentation by UNIDO of tools and strategies for resource mobilization to permit the effective implementation of the Africa Productive Capacity Initiative (APCI).

OUTCOME OF THE INFORMAL CONSULTATIVE GROUPS (*continued*) (IDB.28/6, IDB.28/7, IDB.28/CRP.6)

13. **Mr. SRIWIDJAJA** (Indonesia) said that he welcomed the continuing efforts of the Organization to hold informal consultations with Member States and with other international organizations, including those with United Nations Development Programme (UNDP) concerning a possible alliance and those with the World Trade Organization (WTO) on trade capacity-building and market access facilitation. Together with closer cooperation, informal processes would lead to more coordinated and effective joint efforts to address the urgent needs of developing countries, including enhanced UNIDO technical cooperation delivery, and would encourage other countries to join and former Members to rejoin the Organization.

14. His delegation appreciated the efforts made to explore decentralization options, and advocated a transparent approach to decision-making processes within the Organization.

15. The informal advisory group on decentralization had already produced concrete recommendations that should be taken into account in formulating future decentralization policies. There should be no delay to the implementation of agreed national projects, irrespective of the final result of the decentralization process, which should find ways to overcome the obstacles which in some cases were hindering project implementation.

16. Every effort should be made to maintain the Organization's profile as one of the most important international organizations.

17. **Mr. EL-LAITHY** (Egypt) expressed support for consultations with Member States on the expansion of UNIDO membership and the enlargement of its financial base through increased voluntary contributions. Egypt was willing to share its experience in order to help the Secretariat further explore the possibility of debt swaps.

18. With regard to trade capacity-building, his delegation commended the efforts made by certain countries to eliminate non-tariff barriers, which were a considerable hindrance to developing countries. UNIDO was urged to explore possibilities for activities based on agreements with WTO to assist developing countries within the context of the Doha Development Agenda, paying particular attention to trade capacity-building in African countries.

19. **Mr. ASIEGBU** (Nigeria) commended the results achieved by UNIDO since the commencement of the reform process and the informal consultative approach to decision-making.

20. Under the integrated programme for Nigeria, an Industrial Policy Forum had been organized in April 2004 by UNIDO and the Nigerian Government, with active support from several international development partners. The Forum had been declared a demonstration of the Government's commitment to poverty reduction through appropriate industrial policy initiatives. The Forum had examined the difficulties, constraints, potential and competitiveness of Nigerian industry, particularly in the cassava, dairy and textile subsectors. The aim had been to promote the concept of evidence-based advocacy to ensure that new industrial policies drawn up to enhance value addition within the subsectors were based on rigorous economic analysis of conditions prevailing in the sector, the view of key stakeholders and an evaluation of the potential impact of selected policy options. The recommendations of the Forum were being studied by the Government with a view to their immediate implementation.

21. The programme had also led to the establishment of the Industrial Information Centre, which was equipped with modern information technology facilities and designed to provide first-hand, fast and relevant information relating, inter alia, to available investment opportunities in Nigeria. The Nigerian delegation appreciated the Organization's commitment to the project, particularly the identification and training of key Centre personnel. The Centre would be formally commissioned at the Fifteenth International Conference on Small and Medium Enterprises (SMEs) jointly

organized by the Nigerian Government and the World Association for Small and Medium Enterprises (WASME), to be held from 19 to 22 July 2004 in Abuja.

22. Of Nigeria's US$ 5.5 million counterpart contribution to the integrated programme, a final sum of US$ 2 million had been approved for release to the programme trust fund, reflecting Nigeria's ongoing commitment to UNIDO programmes and activities. However, there had been some delay in meeting the US$ 5.5 million target sum expected from donor countries. The Nigerian delegation therefore appealed to the Director-General to strengthen fund mobilization.

23. In April 2004 Nigeria had hosted the first meeting of the Sixteenth Bureau of the Conference of African Ministers of Industry (CAMI), which had discussed the Africa Productive Capacity Initiative as well as other resolutions directly affecting Africa, and had submitted its decisions to the African Union Summit scheduled for 6-8 July 2004 in Addis Ababa. The Conference aimed to synchronize the elements of the initiative with the African Union and NEPAD policy agenda in order to influence future national resource allocation in favour of industry.

24. While efforts to address decentralization were appreciated, the result of decentralization should be the creation of more UNIDO offices in Africa and other regions and the strengthening of regional activities.

25. Nigeria commended initiatives to address the provision of energy to rural communities, and recommended the establishment of national and regional "focal points" for renewable energy, the promotion of technologies for training and capacity-building purposes, and increased scope for the promotion of renewable energy as a means of power generation accessible to rural communities.

26. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that he took note of the comments, recommendations and encouragement offered by delegations and that the Secretariat would seek to develop an optimal monitoring procedure for the consultative groups.

MEDIUM-TERM PROGRAMME FRAMEWORK 2004-2007 (IDB.28/3; IDB.28/CRP.9), **INCLUDING:**

(a) **APPLICATION OF THE STRATEGIC GUIDELINES "TOWARDS IMPROVED UNIDO PROGRAMME DELIVERY"** (IDB.28/3)

(b) **SOUTH-SOUTH COOPERATION** (IDB.28/2)

(c) **UNIDO ACTIVITIES IN COUNTRIES EMERGING FROM CRISIS SITUATIONS** (IDB.28/5; IDB.28/CRP.4)

(d) **DECENTRALIZATION** (IDB.28/6; IDB.28/CRP.7)

27. **Mr. HONSOWITZ** (Germany), speaking as a co-chairman of the informal advisory group on decentralization and reporting on the group's work, said that representatives of a large number of countries had participated in the group's discussions or in related consultations on the important and complex issue of decentralization. Concerns had been expressed with regard to technical cooperation delivery and the possible impact on UNIDO finance and staff. On the basis of consultations and information provided by the Secretariat, the group had reached a consensus. It recommended to the Secretariat to take into account the conclusions of the report on the assessment/evaluation of UNIDO's field representation in order to elaborate and pursue the best option for further strengthening and rationalizing its field presence with the aim of increasing and extending its technical cooperation delivery while enhancing its participation in the United Nations system at the country level. It invited the Director-General to continue his dialogue with the UNDP, and possibly other United Nations agencies, with a view to submitting a proposal on a potential alliance in the field and in the context of United Nations reform for further consideration. The future field representation scheme should preserve and build upon UNIDO's achievements in the various regions. It should also: (a) promote increased and extended technical cooperation delivery by UNIDO with improved efficiency and results based on the work of its most successful offices; (b) increase its participation in common United Nations initiatives at the country level; (c) develop synergies, inter alia between UNDP and UNIDO, while ensuring that UNIDO core competencies were respected and promoted, and that its own identity, visibility and ability to carry out its mandates were maintained; and (d) remain within the limits of existing budgetary resources. The group further recommended that UNIDO's new field presence be expanded in a carefully planned, phased-in approach. A draft decision based on those recommendations was being submitted.

28. **The PRESIDENT** thanked the co-chairmen of the informal advisory group on decentralization, Mr. Zhang Yan of China and Mr. Honsowitz of Germany, for their efforts.

29. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China and referring to sub-item (b) of the agenda item under discussion, said that she was appreciative of existing North-South cooperation but that enhancing South-South cooperation was of vital importance to developing countries. She commended UNIDO for encouraging discussions on related issues and on the enhancement of private sector development, and urged the Organization to help further strengthen the relationship between Asia and Africa, particularly

with regard to the promotion of investment and technology. She also urged the Secretariat to create a special facility for South-South cooperation and to call upon donor countries to increase their contributions.

30. Welcoming the results of the Biotechnology Forum of March 2004, she urged UNIDO to give special emphasis to the four points set out in annex II to document IDB.28/8.

31. Commending the promotion of the development of biomass, small hydro power and other forms of sustainable energy for productive use, she urged the Organization to support the establishment of centres for efficient energy production and management in other regions. She noted with satisfaction the recent International Seminar on Small Hydro Power Cooperation among Developing Countries held in Hangzhou, China.

32. She was encouraged by future prospects for close cooperation between UNIDO and NEPAD, but would appreciate a report on the results achieved through collaborative efforts so far and on the Organization's progress towards fulfilling its role in meeting the Millennium Development Goals (MDGs).

33. She strongly supported cooperation between UNIDO and the Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries on a project concerning technology needs assessment.

34. On sub-item (c), she expressed support for activities in countries emerging from crisis situations in pursuance of General Conference resolution GC.10/Res.6. That resolution should be implemented bearing in mind the critical status and vulnerability of people in post-crisis and post-conflict countries, where industrial rehabilitation and reconstruction were a key element of economic recovery.

35. The formulation of appropriate responses to specific industrial development challenges in post-crisis situations should be pursued, and further financial resources should be made available to implement approved projects. She welcomed proposals for the creation of a UNIDO Special Facility for Human Security.

36. In conclusion, she wished to stress that, in all documents relating to post-crisis and post-conflict activities, the Secretariat should only use agreed language as reflected in the General Conference resolution.

37. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, reaffirmed the Group's commitment to the Strategic Guidelines and welcomed their full conceptualization. The Group would welcome information on progress made in the endeavour to take the Guidelines into account in the implementation of UNIDO technical programmes.

38. South-South cooperation was an essential mechanism whereby developing countries could strengthen their economic independence and achieve their development goals, ultimately participating equitably and effectively in the emerging global economic order. It complemented rather than substituted North-South cooperation, and could only succeed in the framework of cooperation between North and South. The relationship between South-South and North-South cooperation could be expressed in triangular cooperation arrangements where the expertise and technology of developing countries could be combined with financial support from the developed world to provide assistance to less developed countries. The Group noted with great satisfaction that cooperation among the developing countries was beginning to bear fruit and that a considerable potential was developing. Regional integration, trade and investment, food and agriculture, water, health and education and information and communication technology were some of the areas in which economic and technical cooperation among developing countries could be strengthened and resources, experience and expertise exchanged.

39. The Group commended the Organization's active participation in the High-Level Conference on South-South Cooperation held in Morocco in December 2003, as well as the organization of a round table on the use of renewable energy in achieving the MDGs, and supported the use of renewable energy to reduce reliance on energy imports and diversify supply mixes through the use of local resources.

40. The Group advocated further cooperation with agencies such as the South Centre in Geneva, the UNDP Special Unit for Technical Cooperation among Developing Countries, the International Trade Centre, the International Atomic Energy Agency and donor countries.

41. It also urged the Secretariat to continue to adhere to the basic principles of sound diagnosis, tailor-made responses, close donor coordination and inter-agency collaboration in its interventions in post-crisis situations. It commended the organization of a workshop on human security and supported the proposal for a UNIDO Special Facility for Human Security. The Group called upon the donor community, other international organizations and Member States to help fund the initiative.

42. Recognizing the need to strengthen the Organization's field operations, the Group encouraged continued discussions on how best to pursue

decentralization in a way that would guarantee UNIDO's homogeneity and specialization and improved technical cooperation delivery. Decentralization should focus on region-specific needs, embrace stakeholders and donors and, in the African context, involve close liaison with the African Union, the Conference of African Ministers of Industry and NEPAD. Synergism with other international organizations should be promoted within the framework of the reform of the United Nations system.

43. Decentralization could increase the impact of technical cooperation, and the Group supported increased decentralization of authority to the field offices. It took note of the transfer of team leadership for selected integrated programmes to the respective UNIDO Representatives in the countries concerned but stressed the need for close coordination with UNIDO Headquarters.

44. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group (GRULAC), expressed the hope that UNIDO activities would focus on the needs of the Latin American and Caribbean region in the areas of: investment promotion; technology transfer, diffusion and management; trade facilitation and market access; the development of private sector enterprise; and the application of multilateral environmental agreements.

45. GRULAC welcomed the proposal to focus the research programme on technology diffusion and trade capacity-building, so as to bring to light ways of ensuring that the accumulation of technological and trade-related capacities translated into productivity growth and poverty reduction.

46. With regard to efforts to promote South-South cooperation, GRULAC welcomed the progress made in cooperation between the Common Market of the Southern Cone (MERCOSUR) and the Economic Community of West African States (ECOWAS), as well as the plan to promote cooperation between MERCOSUR and the Southern African Development Community (SADC) within the NEPAD framework. GRULAC urged UNIDO to follow up the proposals in the declaration adopted by the High-level Conference on South-South Cooperation held in Morocco, particularly in the area of renewable energy. GRULAC agreed that triangular cooperation was a useful arrangement in international cooperation, especially with regard to the use of the expertise of emerging countries with the financial support of developed countries and international organizations.

47. GRULAC noted with satisfaction the progress achieved with regard to activities in countries emerging from crisis situations, and the attention given to developing practical tools for industrial reconstruction, and called upon industrialized countries to lend their political and financial support to the related programmes. The Latin American and Caribbean region was highly vulnerable to floods, drought, earthquakes and other natural disasters. Conditions of extreme poverty and the impact of illicit activities such as drug trafficking also fuelled numerous conflicts in areas where industrial infrastructure was lacking.

48. GRULAC welcomed the work of the informal advisory group on decentralization. What was needed was constant adaptation to the needs and expectations of countries to ensure that they derived benefit from international programmes. Field representation was a useful tool for service delivery and programme implementation.

49. GRULAC considered that an alliance with UNDP could be advantageous if it respected the independence of UNIDO in the field and if additional resources were secured for specific technical assistance projects taking into account the real interests of Member States.

50. **Mr. TOUQ** (Jordan), speaking on behalf of the Asian Group, expressed appreciation for the fact that, in the implementation of the medium-term programme framework, account had been taken of the guidance given by Member States in formulating the refined service modules, areas of emphasis, priority services and research programme.

51. The Group supported the aim of enhancing productivity as a means of achieving social advancement, and hoped that technical cooperation services and the research agenda would be adapted to enable developing countries and countries with economies in transition to gain market access through technology transfer and capacity-building.

52. South-South cooperation was a means whereby developing countries could strengthen their economic growth, achieve their development goals and ensure equitable and effective participation in the emerging global economic order. The urgent needs of such countries could be more effectively met by using their specific expertise in areas such as rural energy for production, including small hydro power and bio-technology. The Group appreciated the Organization's sectoral support activities, which were crucial in strengthening the industrial development of developing countries.

53. The Group hoped that the Organization would continue to seek ways in which to enhance and promote South-South cooperation, including fund mobilization and the development of domestic capacity in Member States, and to strengthen cooperation between Governments, the private sector and academic institutions. It supported cooperation with agencies such

as the South Centre in Geneva and the UNDP Special Unit for Technical Cooperation among Developing Countries.

54. The Group noted with satisfaction the success of international conferences such as the Third Tokyo International Conference on African Development (TICAD III) and the High-level Conference on South-South cooperation held in Morocco, and urged UNIDO to explore possibilities for triangular cooperation and investment and technology promotion.

55. The Group supported post-crisis rehabilitation and reconstruction and wished to express appreciation for the preparation of proposals for post-crisis intervention projects worth US$ 1.5 million. The Group welcomed the needs assessments carried out in 2003 in respect of 14 countries, and asked the Secretariat to encourage donor countries to allocate adequate funds for the proposals as soon as possible.

56. Commending the joint organization by UNIDO and Japan of a workshop on human security in January 2004, the Group also expressed appreciation for proposals to create a UNIDO Special Facility for Human Security. At the same time, it was hoped that balance would be maintained with regard to existing programmes such as integrated programmes and Country Service Frameworks.

57. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union (EU) and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the EU supported the focus of UNIDO activities on selected priority areas but held that the Organization should consolidate its expertise in specialized areas where it had a clear comparative advantage. Its programmes and activities should also be in line with national poverty reduction efforts. The Union fully supported the development of a long-term vision statement and an appropriate research agenda.

58. South-South cooperation played an important role in poverty reduction and sustainable development. The EU looked forward to the publication of the official strategy paper and subsequent discussions, and in particular requested further information on the likely availability of funding for related programmes, stressing that all programmes should be carried out within the parameters outlined.

59. The EU thanked the Comptroller General and his team for their report on UNIDO field representation, noting with concern the conclusion that the existing field structure did not provide value for money and was no longer up to date and welcoming the efforts being made to take the matter up as the last major element of the reform process.

60. The EU had participated actively in the work of the informal advisory group on decentralization and gave its full support to the group's report and recommendations.

61. Given that decision-making and delivery capacity should be as close as possible to the recipient country in order to respond readily to changes in the field, the Organization's active participation in country-level coordination mechanisms was extremely important. The EU recognized the need to simplify the existing field structure, harmonize functions and clearly define the responsibilities of Headquarters and field offices while taking full account of the highly diverse nature of different regions and countries.

62. The EU strongly encouraged continued talks with UNDP concerning the proposed cooperative alliance, which was a promising initiative that could make a significant contribution to reform efforts. The proposed alliance could further increase the relevance, delivery capacity, effectiveness and efficiency of UNIDO programmes, but serious consideration would have to be given to the most appropriate means and speed of implementation.

63. In order to achieve maximum transparency, the EU urged that information on the state of the inter-agency discussions be provided during the forthcoming session of the Executive Board of UNDP and the United Nations Population Fund (UNFPA). The EU looked forward to information and further discussions on the outcome of dialogue with UNDP at the next session of the Industrial Development Board.

64. **Ms. ALOMATU** (Ghana), commenting on sub-item (c) of the agenda item, welcomed the Organization's involvement in countries emerging from crisis situations. Such countries were faced with an exacerbation of economic difficulties as a result of the destruction of physical infrastructure and distribution networks and the disruption of markets and financial systems. International organizations, as well as Governments, had an important role to play in drawing up post-conflict recovery programmes. As Chair of ECOWAS, Ghana had been actively involved in efforts to restore stability to the West African subregion and thus facilitate economic development.

65. The international community needed to address the causes of conflicts. Ghana was working with other countries in West Africa to find ways of eliminating or significantly reducing threats to peace, such as the proliferation of small arms, which in the hands of unemployed youths and non-State actors constituted a

grave threat to society and one of the major factors contributing to civil conflicts. The formal end of conflicts was only the beginning of the healing process for victims, mostly defenceless women and children, including child soldiers. In order to ensure an irreversible and sustainable return to normalcy, activities should focus not only on the disarmament process but also on providing young people with marketable skills that would be a viable alternative to the use of the gun as a means of livelihood. However, the most urgent priority was the reduction of abject poverty and the provision of employment. Timely support in priority areas to reduce the vulnerability of peoples emerging from conflicts should be part of the international community's comprehensive response. Assisting UNIDO in its post-crisis reconstruction efforts would be an investment in the future.

66. Ghana continued to offer protection and humanitarian assistance to the significant numbers of refugees that came to it from conflicts in neighbouring countries, putting extreme pressure on its development infrastructure and budgetary resources. Any strategy for restoring stability and normalcy to post-conflict countries should also focus on the need to repair the damage caused to the economies of countries hosting significant refugee populations. While UNIDO was to be commended for its income-generating activities for refugees in several West African countries, the strain on Ghana's infrastructure and educational, health and sanitary facilities called for a more targeted development assistance package for the benefit of refugees and the hosting communities.

67. **Mr. V. G. GARCIA III** (Philippines) welcomed the further refinements made to UNIDO programmes and services and supported the emphasis on enhancing productivity. That approach would enable the Organization to monitor improvements in industrial development resulting from its interventions and its overall contribution to the attainment of the MDGs. The Philippines requested that concrete programmes be established and pursued with a view to the more effective promotion of South-South cooperation to assist the industrialization efforts of developing countries.

68. His delegation commended the broad range of programmes that UNIDO planned to implement in cooperation with other international development agencies in several countries affected by crisis situations. However, caution must be taken to ensure the proper timing of programme implementation in order to avoid endangering the lives of UNIDO field staff in countries faced with a volatile security situation. The Organization could also further streamline its involvement in post-crisis rehabilitation activities, focusing only on its core competencies and the central theme of productivity enhancement, in order to avoid excessive demands on its human and material resources.

69. The Philippines fully supported the decentralization initiative and the continued streamlining of the Organization's field operations, and encouraged further consideration of proposals for UNDP-UNIDO field cooperation, which should take into account previous experience among Member States of UNDP-UNIDO cooperation. The presence of UNIDO field representatives with the necessary expertise in the various UNIDO programmes was critical to the success of present and future programme implementation in developing countries.

70. Decentralization should not be undertaken at the expense of the equitable delivery of UNIDO services and programmes to developing countries, given that it would entail additional budgetary outlays and administrative costs. There were concerns that the process could lead to the closure of field offices in the developing countries. The Organization should therefore approach the issue with appropriate care and without prejudicing its existing field representation structure.

71. **Mr. ZHANG Yan** (China) expressed support for the Organization's efforts to establish a corporate strategy, formulate appropriate research programmes, focus its services on a select number of priority areas, pursue decentralization and draw up a long-term vision statement. Through the implementation of the Strategic Guidelines, UNIDO would be able to prioritize its technical cooperation activities rationally, taking into account its limited resources. The focus of the medium-term programme framework should be on the interests and needs of developing countries and the attainment of the MDGs.

72. With regard to South-South cooperation, the Chinese delegation noted with satisfaction that much had already been achieved in terms of human resource development, capacity-building in Africa and cooperation between the various regions, that UNIDO had actively participated in the Tokyo International Conference on African Development, thus further contributing to private sector development, and that it had also taken part in the High-level Conference on South-South Cooperation held in Morocco, which had underlined the importance of triangular cooperation between developed and developing countries and international organizations.

73. The Chinese Government had always attached importance to South-South cooperation and sought to enhance cooperation with developing countries. In recent years China had achieved good progress in its efforts to forge cooperative ties with neighbouring countries, and also with African countries, as reflected by the China-Africa Cooperation Forum. That Forum would continue to promote broad cooperation between the two regions on the priority areas of human resources, agriculture, infrastructure, investment and

trade. South-South cooperation should be an item on the agenda for the next General Conference session.

74. In 2004, the Chinese Government had founded a Centre for the promotion of South-South Cooperation. In addition, the recent meeting in Hangzhou on small hydro power had made a valuable contribution to the promotion and application of small hydro technology in developing countries. The International Conference on South-South Cooperation had discussed ways of increasing the pace of small hydro development in Asia, Africa and Latin America through cooperative efforts. Other technical centres in China were also playing a positive role in South-South economic and technical cooperation.

75. Whilst continuing to contribute to South-South cooperation efforts, especially in priority areas such as applied technology, the work of the International Trade Centre (ITC), and renewable energy technology, China hoped that UNIDO would actively implement the triangular cooperation arrangements and mobilize the necessary funds.

76. His delegation supported UNIDO activities relating to the reconstruction, security, stability and development of post-crisis countries, for which it urged the continued mobilization of additional resources.

77. While not a high priority, decentralization would be important in the long-term sustainable development of the Organization and would require a carefully planned approach. The Chinese delegation appreciated the efficient work of the informal consultative group on decentralization and supported its recommendations.

78. **Mr. SAHINBAS** (Turkey) welcomed the steps taken to enhance the developmental impact of global forum and technical cooperation activities through the further refinement of the service modules, the finalization of a new corporate strategy, the formulation of the medium-term programme framework for 2004-2007 and a research programme based on technology diffusion and trade capacity-building. Those initiatives contributed to the consolidation of the programmatic transformation and should provide UNIDO with the framework and tools to enhance the impact of its medium-term programme activities and to develop the strategic vision statement. The Turkish delegation looked forward to receiving further information on the implementation of the programme framework and wished to encourage the Secretariat make maximum use of performance indicators in drawing up the next medium-term programme implementation report.

79. Industrial rehabilitation and reconstruction were of great importance for countries emerging from crisis situations. When the necessary conditions were secured, UNIDO could make a tangible contribution to those countries through sustainable industrial development projects.

80. The promotion and successful implementation of projects required a comprehensive fund-raising strategy and close collaboration with donors. In that regard, the delegation requested further information on proposals for a UNIDO Special Facility for Human Security.

81. Optimized and well-targeted field representation was critical to technical cooperation delivery, and Turkey welcomed efforts to further rationalize field structure by taking into account the needs of recipient States and the possibilities for improved inter-agency cooperation. Turkey looked forward to further information on the results of the dialogue between UNIDO and UNDP concerning a possible alliance, an initiative which it supported but which should be developed while promoting and maintaining the Organization's competencies and visibility and observing budgetary prudence.

82. A carefully planned and phased-in approach to the expansion of UNIDO's field presence should be adopted. Pilot projects could be useful for the formulation of solutions.

83. He hoped that the newly approved strategy for Investment and Technology Promotion Offices (ITPOs) would ensure synergies and harmonization of activities between ITPOs and National Cleaner Production Centres, Subcontracting and Partnership Exchanges and International Technology Centres.

84. **Mr. NAQVI** (Pakistan) expressed support for UNIDO activities aimed at the industrial rehabilitation and reconstruction of countries emerging from crisis situations, and commended the establishment of an informal working group for in-house coordination, the preparation of a draft strategy paper, the creation of a Post-crisis and Post-conflict Electronic Support Resource (PPESR), the organization of a workshop on human security and the conduct of needs assessments in various countries.

85. Pakistan noted with particular satisfaction the Organization's active participation in the reconstruction of Afghanistan, with one project in progress and a further three at the planning stage relating to agro-industry, housing and rural entrepreneurship. It was hoped that further projects would follow, leading to industrial development and providing Afghan refugees with an incentive to return and contribute to the national reconstruction effort.

86. As a result of the 1997 Business Plan on the Role and Functions of UNIDO and the dynamic leadership of the Director-General, UNIDO had become an example of stability, credibility and performance in the United

Nations system, and should now consolidate the gains and capitalize on its strengths.

87. Pakistan supported the decentralization initiative, but recommended a cautious approach to the issue. The future course of action should be chosen after comprehensive and informed discussions, together with an analysis of pilot projects. Successful regional and country offices should be preserved and possibly upgraded. UNIDO must retain its distinct identity, and any changes must assist the Organization's basic objective of providing effective support for industrialization in developing countries.

88. With regard to the overall performance of UNIDO, particularly positive developments were: the 16 per cent increase in technical cooperation delivery in 2003 as compared with 2002; the sharpened focus of technical cooperation delivery, as a result of which 70 per cent of technical cooperation services went to low-income countries; the substantial increase in voluntary contributions from development partners; the dramatic increase in net approvals from governmental sources and the significant increase in net approvals from multilateral sources since 1998; and the visible increase in the collection of assessed contributions as well as arrears. However, technical cooperation delivery in the Asia and the Pacific region had decreased by more than 10 per cent, and less than 20 per cent of the funds required for implementation of the integrated programme for Pakistan had been allocated. Paucity of funds might hinder the timely completion of projects. Pakistan hoped that the Organization recognized the need to rectify such anomalies.

89. **Mr. BENSELLAM** (Morocco) said that the medium-term programme framework for 2004-2007 would ensure that UNIDO's services remained in harmony with the evolving international development agenda and the changing needs of Member States. It was essential to enable the Organization to provide more focused interventions taking into account the international development priorities as set out in the Millennium Declaration, in particular concerning global market access, rehabilitation projects and poverty reduction. While the aim of the medium-term programme framework was to improve technical cooperation activities in line with available resources, the African continent should continue to have special status with regard to technical cooperation services.

90. His delegation shared the view that South-South cooperation should be perceived as an essential component of international development cooperation that served to complement North-South cooperation and fitted perfectly with triangular cooperation arrangements. The High-level Conference on South-South Cooperation organized by Morocco in December 2003 had provided an opportunity to identify ways and means of strengthening cooperation among developing countries. It had examined the role of South-South cooperation in connection with the least developed countries (LDCs) and links between North-South and South-South cooperation modalities in pursuit of the same development objectives. The areas identified with a view to strengthening cooperation among developing countries were regional integration, trade and investment, food and agriculture, health and education and information and communication technologies. His Government appreciated UNIDO's active participation in the conference through its organization of a round table on renewable energies.

91. Morocco welcomed UNIDO's continuing close cooperation with the African continent, in particular with the Southern African Development Community and the Economic Community of West African States through the New Partnership for Africa's Development, and urged the Director-General to keep Member States informed of the conclusions reached regarding the two resolutions adopted by the Conference of African Ministers of Industry and endorsed by the General Conference at its last session, as well as the resolution on the role of UNIDO in achieving the Millennium Development Goals.

92. With regard to UNIDO activities in countries emerging from crisis situations, his Government fully supported the Organization's special initiative on post-crisis industrial rehabilitation and reconstruction and welcomed the approval of US$ 385,000 for the programme. In UNIDO's post-crisis interventions, consideration should be given both to humanitarian relief efforts and to the restoration of productive capacities, and the Organization's assistance should focus on activities within its mandate and be in line with national poverty reduction strategies. The decision to set up an informal working group and, specifically for Iraq, a task force to facilitate in-house coordination for programming, implementation and monitoring of related activities was to be commended. His delegation shared the view that UNIDO's post-crisis initiative should be based on the principles of sound diagnosis, tailor-made responses and close donor coordination and inter-agency collaboration and welcomed the intention to create a UNIDO special facility for human security with initial funds of up to US$ 1 million.

93. On agenda item 5 (d), his delegation wished to assure the Organization of its full cooperation in carrying forward the decentralization process. For such an endeavour to be successful, a number of concerns of Member States needed to be taken into account. The option ultimately chosen to implement the mechanism should achieve synergy; the question of human resources should not be ignored, given that over 25 per cent of UNIDO's staff would retire within the next five years; the volume of technical cooperation services to

the African continent should not be put at risk and the initiative should be in line with the Millennium Development Goals and not jeopardize the Organization's main objective of assisting developing countries in establishing a sound industrial base.

94. **Mr. SREENIVASAN** (India), referring to the report of the Director-General on the medium-term programme framework for 2004-2007 (IDB.28/3), said that his delegation hoped that the formulation of the new corporate strategy with emphasis on productivity enhancement, refinement of the service modules and the preparation of a consolidated research programme would lead to further improvements in the efficiency and effectiveness of UNIDO activities. The Organization's technical cooperation programmes should be geared to the key areas of its comparative advantage, technology diffusion and trade capacity-building. The initiative to integrate global forum and technical cooperation activities with a view to achieving greater relevance, effectiveness and impact was welcome.

95. His delegation wished to underline the importance of South-South cooperation. It urged UNIDO to give consideration to promoting more innovative programmes in that respect and would support any initiatives aimed at enhancing such cooperation. The Indian Government had co-financed a project on regional market access and trade facilitation for South Asian countries. The Regional Centre for Small Hydropower, which India had established with UNIDO in Kerala, had commenced its operations, offering training programmes and joint research activities. Biomass gasification technology developed at the Bangalore Research Centre of the Indian Institute of Science was in the process of being transferred and had already been incorporated in projects in Cuba and Zambia. His Government was setting up an inter-regional centre for entrepreneurship and investment training for South Asian countries and was contributing to South-South cooperation activities in the areas of training and capacity-building at the International Centre for Advancement of Manufacturing Technology (ICAMT) established in partnership with UNIDO at Bangalore.

96. With regard to item 5 (d), while his delegation endorsed the recommendations of the informal advisory group on decentralization, it considered it desirable for those recommendations to be implemented gradually. It was also important for UNIDO's own identity at the level of the regional offices and field offices to be maintained.

97. **Mr. EL-LAITHY** (Egypt) said that Egypt attached special importance to South-South cooperation and supported UNIDO's efforts to promote such activities with a view to contributing to the achievement of the Millennium Development Goals. It was necessary to mobilize additional resources for South-South cooperation mechanisms such as the Africa Productive Capacity Initiative and to develop cooperation with external partners and institutions such as TICAD and the Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries. Further support should be given to international centres in areas such as new and renewable sources of energy, modern biomass technologies and sustainable development.

98. Triangular cooperation arrangements were another example of mutually beneficial South-South cooperation, in which Egypt had many years of successful experience with neighbouring countries in Africa. His delegation urged UNIDO to give consideration to expanding triangular cooperation in that continent. Egypt was ready to make available the results of its experience.

99. With regard to agenda item 5 (c), Egypt supported UNIDO's post-crisis intervention initiative, which was in response to the increasing number of countries experiencing man-made or natural disasters. His delegation wished to request the Secretariat to provide further clarification concerning the criteria on the basis of which countries were selected to benefit from that initiative. It hoped that the fact that the Post-crisis and Post-conflict Electronic Support Resource would be made operational on the Internet by the end of the year would help UNIDO to better respond to the needs of countries emerging from crisis situations. It called upon the international community to provide the resources required for implementation of the initiative.

100. Egypt supported the Director-General's efforts in connection with the decentralization process. It followed with interest the work of the informal advisory group and hoped that the Secretariat would continue to keep Member States informed of developments in that regard. In his delegation's view, the decentralization option chosen should be implemented on an experimental basis. It should take into account the special characteristics of certain geographical areas in terms of their industrial structures and should reflect the representation of Member States within the Organization. Consideration should also be given to the relationship between UNIDO and CAMI within the framework of NEPAD.

101. **Ms. SANGASUBANA** (Thailand) said that Thailand attached great importance to South-South cooperation, which served as an important platform in the attainment of internationally agreed development goals. The promotion of experience-sharing and training programmes and increased networking provided excellent means for countries of the South to help raise each other's productivity. Economic cooperation at the regional and subregional levels and through triangular

arrangements offered countries mutual benefits. Her delegation wished to encourage UNIDO to continue its role of enhancing South-South cooperation and to strengthen the provision of its expertise and sectoral support in the areas of food, leather, textiles, wood and agro-industries.

102. Concerning UNIDO activities in countries emerging from crisis situations, Thailand was of the view that human security was closely related to the promotion of sustainable development and poverty alleviation. Her delegation appreciated the joint organization by Japan and UNIDO of a workshop on human security in January 2004 and the announcement by the Director-General of his intention to create a UNIDO Special Facility for Human Security. It wished to urge the Director-General to engage in dialogue with interested countries with a view to maximizing the utilization of existing sources of funding, such as the United Nations Trust Fund for Human Security, in order to promote UNIDO activities in countries emerging from crisis situations.

103. **Mr. HOSSEINI** (Islamic Republic of Iran) said that his delegation hoped that UNIDO would continue its role of enhancing South-South cooperation through the identification of the necessary modalities, in particular by designing an appropriate facility for funds mobilization.

104. With regard to UNIDO activities in countries emerging from crisis situations, his delegation welcomed the needs assessments recently conducted by the Organization and its participation in inter-agency missions and programme formulation missions to 14 countries, including his own country in connection with the earthquake-stricken region of Bam.

105. On agenda item 5 (d), his delegation strongly supported the outcome of the most recent meeting of the informal advisory group on decentralization. The closure of existing country offices and their replacement with UNIDO desks within a period of one to two years was an issue which required further clarification.

106. **Mr. JUAREZ** (Mexico), referring to the medium-term programme framework for 2004-2007, said that his delegation had noted the work being carried out by the Strategic Research and Economics Branch in formulating a research agenda and procedures with a view to the approval of individual research projects taking into account, in all cases, the needs of LDCs and the Organization's priorities as set out in the medium-term programme framework.

107. With regard to UNIDO activities in countries emerging from crisis situations, which could be the result not only of internal or regional conflicts but also of natural disasters, it was necessary to take account of the prevailing political situation in those countries in order to comply with General Conference resolution GC.10/Res.6, which required the Organization to hold consultations with the affected countries for the purpose of offering them its support. UNIDO's assistance activities should be clearly within its mandate and in line with national development plans and poverty reduction strategies, with due consideration given to the specific needs of each situation.

108. Concerning the Director-General's intention to create a Special Facility for Human Security to be funded initially from UNIDO's own resources, his delegation would like the Secretariat to provide further details of that proposal, which needed to be examined with caution, particularly in the light of the ongoing debate on the concept of human security and the lack of a definition that was acceptable to all States.

109. His delegation expressed support for the decentralization process and urged the Director-General to continue to seek the best option from among the recommendations put forward by the informal advisory group to enable UNIDO's field offices to become more efficient, cooperate with other development organizations and maintain their own identity, visibility and presence. In that endeavour, steps should be taken to ensure that Member States would be able to benefit from technical cooperation services even if they did not receive such assistance under other United Nations programmes and to achieve an appropriate mix of UNIDO field representation through regional offices, regional technical centres and UNIDO desks within UNDP offices. The group should continue to hold informal meetings in the coming months with a view to enabling Member States and the staff of UNIDO to evaluate the various options in order to formulate a policy in line with present needs.

110. **Mr. TAKASU** (Japan), referring to the *Annual Report 2003* (IDB.28/2 and Add.1), said that Japan agreed with the Director-General that the reform process of UNIDO had led to its transformation into an effective body making a significant contribution to the industrial development of developing countries. His delegation welcomed UNIDO's achievement of financial stability and hoped that the most effective use would be made of the resources available to it.

111. The establishment of informal consultative groups was a useful means of responding to tasks entrusted by the governing bodies. It was important to strengthen the financial base of UNIDO and widen its membership. Japan welcomed the intention to follow up the contacts established by the groups' co-chairmen in cooperation with technical branches and liaison offices.

112. His Government supported UNIDO's trade-related technical assistance and capacity-building

activities and welcomed the signing of the memorandum of understanding between UNIDO and the World Trade Organization on trade capacity-building. Japan had implemented bilateral programmes and had made a substantial contribution to the Doha Development Agenda Global Trust Fund. It hoped that specific programmes would be implemented through that framework in the near future.

113. The Asia-Africa Investment and Technology Promotion Centre (AAITPC) project was a commendable example of South-South cooperation. During the last three and a half years, AAITPC had organized 24 investment seminars and three business missions involving more than 1,900 business people from Asian and African countries. Japan welcomed UNIDO's active participation in the Asia-Africa trade and investment conference due to take place in Tokyo later in the year.

114. Japan attached great importance to the human security perspective in the formulation and implementation of UNIDO programmes. The successful workshop on human security held in January 2004 had contributed to mainstreaming that perspective in the activities of the Vienna-based organizations. His delegation welcomed the announcement by the Director-General of his intention to create a Special Facility for Human Security. The human security approach empowered individuals and communities in overcoming poverty and other hardships, enabling them to live with dignity, and should not be confused with the concept of humanitarian intervention. The Organization's projects relating to human security should in all cases be undertaken on the basis of Member States' needs. The relevance of the human security perspective was very evident in the area of post-conflict industrial rehabilitation and reconstruction and Japan had worked closely with UNIDO on such activities in Afghanistan, Sri Lanka and Iraq. As part of Japan's continuing cooperation with UNIDO, additional resources made available from the United Nations Trust Fund for Human Security would be used to finance a project to support the revitalization of agricultural productive capacities in 40 rural communities of the southern Sudan, a project to assist rural communities in Afghanistan by promoting agricultural and income-generating activities and a project to mitigate arsenic poisoning in Bangladesh.

115. On the question of UNIDO's field presence, Japan supported the recommendations of the informal advisory group on decentralization, which reflected Member States' views in a balanced manner. It was important to ensure that UNIDO's own identity was maintained and that the costs of implementation remained within existing budgetary limits. The expansion of the new field presence should follow a carefully planned, phased approach, taking into account the specific needs and characteristics of each region.

116. **Mr. NEZAM** (Observer for Afghanistan) said that the situation of political instability and a quarter of a century of conflict in Afghanistan had contributed to widespread poverty. The economic difficulties facing the Afghan people were immense and the provision of basic needs such as food, water and electricity remained a priority. His Government was grateful for the assistance received from the international community in establishing peace, security and stability. Two important donor conferences had been organized with a view to the country's reconstruction, one in Tokyo in 2001 and one in Berlin in 2004, with an unprecedented level of funding announced at the latter for the next three years.

117. In today's world, UNIDO had an important role to play in combating poverty by helping to create a favourable climate for industrial development and thus increase income through industrialization. His delegation wished to express its gratitude to the Director-General for his visit to Afghanistan in 2002 following the defeat of the Taliban. That visit had contributed to strengthening his country's cooperation with UNIDO. Afghanistan welcomed the expansion of the integrated programme approach and was convinced that the new programmes would strengthen the industrial development capacities of developing countries.

118. His delegation appreciated the needs assessments conducted by UNIDO and the programme formulation mission to Afghanistan. The Organization was planning assistance projects for the country in several areas, including support for rural communities in improving agricultural machinery and promotion of the use of low-cost housing technologies. The documents for those two projects were being submitted to the Trust Fund for Human Security for approval, and his delegation wished to thank the Japanese Government in advance for its support through that facility. In the area of privatization, a regional workshop would shortly be held on the rehabilitation of industrial enterprises in Afghanistan. Financing had been sought for the restoration of a wool spinning mill at Kandahar. A concept paper on a project for the promotion of community-level self-help and rural production had also been prepared by UNIDO for submission to the Trust Fund for Human Security. His delegation was pleased to note the forthcoming mission to his country for the purpose of finalizing UNIDO's long-term programme for Afghanistan as a country emerging from a crisis situation. It welcomed the appointment of a Professional staff member at Kabul for one year and the measures taken to recruit a national coordinator for the same period.

119. Concerning the decentralization process, his delegation supported the recommendations put forward by the informal advisory group with a view to strengthening UNIDO's field operations.

120. It was encouraging to note the Organization's improved financial situation and increased funds. In spite of financial constraints, Afghanistan had undertaken to honour its commitments to UNIDO and had already settled part of its arrears under the approved payment plan.

121. **Mr. SUJATMIKO** (Indonesia) said that Indonesia shared the view that South-South cooperation should be promoted in order to foster developing countries' economic growth and strengthen their industrial sectors, in particular through enhanced capacity-building, increased availability of resources, the provision of expertise and financial assistance and the involvement of the private sector and the academic community. His delegation hoped that UNIDO could play a greater role in enhancing South-South cooperation by intensifying its funds mobilization activities. Indonesia fully supported UNIDO's steps to strengthen cooperation with international agencies such as the South Centre in Geneva and the UNDP Special Unit for Technical Cooperation among Developing Countries and other development partners.

122. With regard to UNIDO activities in countries emerging from crisis situations, his delegation appreciated the Organization's efforts to follow up General Conference resolution GC.10/Res.6 and welcomed in particular its needs assessments and programme formulation missions. All possible ways and means of assisting the rehabilitation and reconstruction process in the countries affected should be explored and his delegation called upon the international community to participate actively in providing the necessary resources for that purpose, while at the same time not neglecting projects in other developing countries, for which resources and services previously provided should be continued. Guidelines for UNIDO's future interventions in countries emerging from crisis situations could be drawn up, clearly defining when the Organization should be involved.

123. **Mr. MARQUEZ MARIN** (Venezuela) said that his delegation wished to refer to the concept of human security in the context of assistance to countries emerging from crisis situations. Since that term was not part of the ordinary vocabulary of the United Nations system and had not been fully accepted by its policy-making organs, it should not be used as a basis for defining UNIDO's programmes and interventions in the area of post-crisis reconstruction. In discussions on that issue it would be preferable for UNIDO to use the term "human development", which denoted the objective relationship between economic and social development and the quality of life of individuals within the context of their national situation. The concept of human security incorporated both objective and subjective elements and had implications not only in the economic and social spheres but also in the political sphere, which fell outside the scope of UNIDO's agenda. His delegation associated itself with those which had expressed their full support for UNIDO's assistance to countries emerging from crisis situations. Like the delegation of Mexico, it wished to receive from the Secretariat a fuller explanation of the Director-General's proposal concerning the creation of a Special Facility for Human Security.

124. **Mr. AHMED** (Association of Former United Nations Industry and Development Experts (AFIDE)) said that, while UNIDO, in its contribution to the implementation of Agenda 21, had adjusted its policies and programmes in order to give equal consideration to economic and human development and environmental protection, there were still areas where improvements could be made in its efforts to promote sustainable industrial development. The Organization's environmental activities were not fully integrated into its overall delivery system. Sustainable industrial development could not be achieved through the implementation of only some parts of a comprehensive programme within one department or division. It was essential to identify the range of policies, activities and human resources required.

125. The staff of UNIDO had a major role to play in that regard and particular attention should be paid to quality and experience, with timely action to replace outgoing staff with a competent young generation. Adequate resources should be allocated to strengthen the Organization's professional and technical capabilities and to provide training and skills upgrading.

126. AFIDE wished to recommend that UNIDO should undertake a comprehensive study to identify requirements and examine modalities for integrating its programmes and interlinking its divisions and technology centres with a view to enhancing its efforts to promote sustainable development.

127. **Ms. HIROSE** (Managing Director, Programme Coordination and Field Operations Division), replying to points raised during the debate on agenda items 3, 4 and 5, said, in connection with the need expressed by several delegations for increased funds mobilization, that UNIDO's overall track record for 2003 had been quite positive. The Organization would continue its efforts to raise the level of available financial resources, in particular in its areas of core competencies. It had at the beginning of the year devised an internal funds mobilization strategy to better focus and coordinate those efforts.

128. The interest expressed by many delegations in South-South cooperation was appreciated. To date, UNIDO had undertaken a number of activities, including the AAITPC project and the EU-funded programme concerning a WAEMU system for

accreditation, standardization and quality promotion. Individual initiatives were under way, thanks to India, China, Brazil and Egypt, and triangular cooperation arrangements were being pursued, including activities funded by Japan within the framework of TICAD and the pilot programme for industrial upgrading being developed with WAEMU countries. The Secretariat would continue to look into the possibility of further focusing its efforts, with a view to contributing to NEPAD through the Africa Productive Capacity Initiative and ultimately to the attainment of the Millennium Development Goals.

129. On the issue of field representation, the Secretariat welcomed the expressions of support by regional groups and delegations for the decentralization and field structure initiative. It had taken note of their concerns and suggestions, including the need for UNIDO to maintain its identity and its competitiveness and to ensure that technical cooperation delivery did not diminish. The initiative entailed a dynamic process in which another agency, UNDP, was involved and Member States would be kept informed of developments in the negotiations on that new partnership. Their views would continue to be sought through the informal advisory group on decentralization, and the implementation plan would be further elaborated taking those views into account, with the formulation of a pilot stage prior to fully fledged, phased implementation.

130. With regard to the point raised concerning the transformation of field offices into UNIDO desks, she wished to explain that the reference to a one- to two-year transition period (IDB.28/CRP.7) had been made solely for cost clarification purposes using a possible field presence model. She assured the Board that the cost estimate and also the functions of the regional offices, UNIDO regional technical centres and UNIDO desks would continue to be carefully elaborated in close consultation with Member States.

131. **Mr. RWENDEIRE** (Managing Director, Programme Development and Technical Cooperation Division), referring to the observation made by a number of delegations that technical cooperation delivery to the Asia and the Pacific region had diminished, said that the figures showed that the amount of funding for that region had continued to increase over the period from 2000 to 2003. The decrease in delivery related not to areas of UNIDO's core competencies but rather to activities under the multilateral environmental agreements, where the completion of a large private-sector programme involving millions of dollars with a short implementation time frame would make a difference. UNIDO's having to compete with organizations such as the World Bank and UNDP for similar projects in that region within the Global Environment Facility (GEF) envelope was a further factor.

132. Regarding the low level of participation from African and Asian countries at the Global Biotechnology Forum, he wished to emphasize the considerable support received from the Government of Chile and the University of Concepción in the organization of the Forum. The question of the choice of venue for events held in the future would be given careful consideration to ensure the maximum possible attendance.

133. Referring to the view expressed that UNIDO should be more active in the area of food quality, he wished to point out that funding was a very restricting factor. Funding was also a problem in the development of technology foresight activities in the Asia and the Pacific region. Programmes were in course of execution and consideration was being given to the organization of a conference on technology foresight in that region early next year.

134. On the topic of results-based management, performance indicators were currently being worked out for the Energy and Cleaner Production Branch. It was hoped that the exercise would be completed by the end of the year for replication in other branches.

135. In reply to an inquiry from the representative of Lesotho, he was able to announce that a four-person programming mission to her country was due to leave Vienna on 31 May.

136. The Secretariat valued its close cooperation with AFIDE and welcomed its representative's constructive observations concerning a more balanced approach to the formulation of sustainable industrial development programmes.

137. **Mr. FORNOCALDO** (Managing Director, Division of Administration) thanked delegations for their positive comments on UNIDO's initiative concerning post-crisis industrial rehabilitation and reconstruction and the agenda for 2004-2005. Referring to the need expressed by some delegations for a comprehensive strategy paper on that issue, he wished to inform the Board that the discussion paper which had been distributed at the round table held during the last General Conference session had now been refined and supplemented, and would be submitted to the Executive Board for approval and distributed shortly as a UNIDO position paper. That document would also provide information concerning the utilization of the UNIDO Special Facility for Human Security, on which some delegations had sought clarification.

138. As to the question of selection criteria, UNIDO's limited capacities meant that it had to concentrate its efforts on only some post-crisis countries for priority intervention. The parameters applied in the choice of nine beneficiary countries for the 2004-2005 biennium

were: short intervals from the moment the crisis ended; the focus of international attention through peace agreements, consolidated United Nations appeals, donors' conferences and other global forums; the possibility of applying more effective modalities of implementation adjusted to specific cases; and promising prospects for mobilization of external financial support.

139. With regard to the use of the term human security, he believed that at the workshop organized in January there had been consensus on the adoption of the concept of human security in the context of post-crisis industrial rehabilitation and reconstruction. However, the points raised by some delegations would be duly taken into account and the issue would be addressed in the UNIDO position paper.

140. **Mr. JUAREZ** (Mexico) thanked the members of the Secretariat for their comments. Referring to agenda item 5 (c), he wished to place on record that Mexico disassociated itself from the use of the term human security. His delegation had noted that consultations would be held concerning UNIDO's industrial rehabilitation and reconstruction activities in post-crisis situations and the terminology most suited to the mandate of the Organization.

141. **Mr. TAKASU** (Japan) said that his delegation wished to restate its position regarding the question of human security. The concept "human security", which incorporated a human-centred perspective and a community-based approach, had nothing to do with humanitarian intervention or interference in the domestic affairs or even the sovereign rights of individual States. Japan was ready to continue discussing the issue with the participation of Member States in close consultation with the Secretariat.

The meeting was suspended at 6.55 p.m. and resumed at 7.20 p.m.

FINANCIAL SITUATION OF UNIDO (IDB.28/10; IDB.28/CRP.5)

TRANSITION TO A SINGLE-CURRENCY SYSTEM (IDB.28/9)

142. **Mrs. FEROUKHI** (Algeria), speaking on behalf of the Group of 77 and China, said that the Group was encouraged by the continuing improvement in the Organization's financial situation. It regarded the increase in technical cooperation delivery as a positive development and hoped that an increase in voluntary contributions would lead to further improvements in that respect. The Group was pleased to note that, as at 29 February, the collection rate of assessed contributions for the biennium 2002-2003 had reached 92.5 per cent and that 27 Member States, including six LDCs, had settled their assessed contributions for 2004 in full. It commended Azerbaijan, Belarus, Lithuania and Ukraine for their cooperation in carrying out their payment plans.

143. However, many Member States still had no voting rights owing to their accumulated arrears, funds for technical cooperation activities fell short of developing countries' needs and there was still no indication by some major developed and developing countries of their intention to pay their substantial arrears. The Group urged Member States in arrears to settle their outstanding dues and called upon former Member States still in arrears to fulfil their payment obligations.

144. **Mr. AREVALO** (Colombia), speaking on behalf of the Latin American and Caribbean Group, said that positive efforts had been made by the Organization in 2003 to improve its financial situation, as evidenced by its financial stability and the sharpened focus of its technical cooperation activities. The level of technical cooperation delivery in 2003 showed a modest increase in comparison with the previous two years, being only slightly below the target of US$ 95 million, a sign of UNIDO's continuing recovery.

145. The Organization's improved financial efficiency should be reflected in increased voluntary contributions for implementation of technical cooperation programmes and should encourage Member States to pay their assessed contributions in full and on time and induce current and former Members in arrears to settle their outstanding contributions in full.

146. **Mr. MURPHY** (Observer for Ireland), speaking on behalf of the European Union and of Bulgaria, Romania, Turkey, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, said that the European Union was pleased to note the Organization's continuing healthy financial situation, with a surplus recorded by the operational budget in the first two months of 2004, but was disappointed to observe that the collection rate for the first two months of the current year represented a significant drop compared with the same period in 2003. It reiterated its appeal to Member States to settle their arrears and to pay their assessed contributions in full and on time. The European Union would do its part in improving the collection rate.

147. While the continuing upward trend in the number of States whose voting rights had been restored was welcome, a large number of Member States were still significantly in arrears. The European Union supported the Director-General's efforts to pursue the settlement of arrears with current and former Member States. Where a country was unable to settle its arrears in a single payment, a payment plan should be negotiated as a last resort and as an exception to the rule. The

European Union wished to encourage the Secretariat to follow closely the outcome of the work of the Committee on Contributions, which had been requested to report to the General Assembly at its next session on incentives and disincentives to encourage the timely payment of assessed contributions.

148. Regarding agenda item 7, the European Union welcomed the Secretariat's work in connection with the introduction of the single-currency system and appreciated the efforts to ensure its smooth implementation.

149. **Mr. F. L. FIGUEIREDO** (Observer for Angola), speaking on behalf of the African Group, said that, while the Group was pleased to note from document IDB.28/10 that the collection rate for 2004 assessed contributions was 34.4 per cent, it regretted the high level of outstanding contributions, which amounted to 159.6 million euros. The loss of voting rights by many Member States owing to arrears continued to be a cause for concern to the Group. All Member States should pay their arrears and assessed contributions in full without delay. The Group urged the Director-General to continue his contacts with Member States in arrears with a view to the settlement of their debts. It commended the signature of payment plans by Azerbaijan, Belarus, Lithuania and Ukraine and encouraged other Member States which had lost their voting rights to initiate negotiations with the aim of elaborating payment plans.

150. Referring to the resolution adopted by CAMI on support to the African Productive Capacity Initiative, in which UNIDO was called on to provide seed money of at least 5 million euros to launch the African Productive Capacity Facility, the Group wished to know whether the remnant from the Industrial Development Decade for Africa had been designated as seed money and, if so, whether the legal framework for access to such funds by the Facility had been established. The Group also sought UNIDO's support for the African Union's four-year plan of action on sustainable industrial development based on APCI.

151. **Mr. HOSSEINI** (Islamic Republic of Iran), speaking on behalf of the Asian Group, said that the Group welcomed the fact that the collection rate for assessed contributions for the biennium 2002-2003 had reached 92.5 per cent and hoped that that favourable trend would continue in the next biennium. It commended Azerbaijan, Belarus, Lithuania and Ukraine for the implementation of their payment plans. However, many Member States were still without voting rights owing to accumulated arrears and there was still no indication by some major developed and developing countries of an intention to pay their substantial arrears. The Group urged Member States in arrears to pay their outstanding dues and called on former Member States still in arrears to honour their obligations.

152. **Mr. TAKASU** (Japan) said that it was reassuring to note that the collection rate for assessed contributions for the 2002-2003 biennium was as high as 92.5 per cent and that the value of UNIDO's technical cooperation delivery in 2003 had reached US$ 94.6 million, a 16 per cent increase compared with the previous year. Japan wished to pay tribute to the Director-General for his commitment to continuously improving the effective use of the Organization's resources.

153. Japan was deeply concerned by the fact that there was still a significant number of Member States whose voting rights had been suspended. It urged those States and also former Member States which had still not paid their prior years' arrears to settle their debts as soon as possible, following the recent example of Azerbaijan, Belarus, Lithuania and Ukraine.

154. **Mr. FORNOCALDO** (Managing Director, Division of Administration) said that, as at 21 May, the collection rate stood at 65 per cent, representing a marginal increase on the figures contained in the documents before the Board, and 46 Member States were without voting rights, compared with 52 in 2003, 57 in 2002 and 60 in 2001.

ACTIVITIES OF THE JOINT INSPECTION UNIT (IDB. 28/4)

155. **The PRESIDENT** said that the Board had before it the report by the Director-General (IDB.28/4) on activities of the Joint Inspection Unit relevant to UNIDO. As most aspects of the agenda item had been covered by the Comptroller General in his statement to the Board, there would be no further introduction from the Secretariat.

156. He noted that no delegation had asked to take the floor on the agenda item.

The meeting rose at 7.50 p.m.